

November 29, 2004

## QUOTE OF THE WEEK

*"The greatest danger to liberty today comes from the men who are most needed and most powerful in modern government, namely, the efficient expert administrators exclusively concerned with what they regard as the public good."*

*-- Fredrich August von Hayek*

*(1899-1992), Nobel Laureate of Economic Sciences 1974*

*Source: The Constitution of Liberty, 1960*

## UNDER THE DOME

### \*\*\*Economic Freedom... Not So Much in CA\*\*\*

The Pacific Research Institute recently released its U.S. Economic Freedom Index. It is not surprising to anyone doing business in California that we rank at the bottom, 49<sup>th</sup> out of 50 states, with only New York less free. The Index was created by analyzing states' fiscal, regulatory and judicial policies, the size of government and welfare programs. Rather than just lamenting our poor showing, policymakers can learn from the results. PRI notes that the study shows "a 10-percent improvement in a state's economic freedom score yields, on average, about a half-percent increase in annual income per capita." Thus, if every state had the economic freedom of the number one ranked state-- Kansas-- the annual income of an average working American would rise 4.42 percent, or \$1,161. PRI notes that would give people an additional \$87,541 over a 40-year working life. Imagine what that income growth could accomplish in California. Are our policymakers listening?

### \*\*\*Paperless Budget\*\*\*

For the nearly 30 years I have been studying the state budget, I have had to lug around several thousand pages of data in several books. This year, students of the budget will get less of a physical work-out because the Governor has announced that his 2005-2006 proposed budget will only be available on-line and via CD-ROM. A pocket-sized summary will be available in print, but all the detail will be paperless. The proposal is due out on January 10<sup>th</sup> and the paperless plan should save taxpayers more than \$100,000.

### \*\*\*CPR Reorg Continued\*\*\*

Today I return to the list of state government functions that the California Performance Review recommends maintaining, although the work will be done by new departments. The old entity is followed, in parentheses, by where the function will be done under the reorganization plan:

Fish and Game Commission (Natural Resources); Gambling Control Commission (Commerce and Consumer Protection); Governor's Office on Service and Volunteerism Commission (California Service Corps); Health and Human Services Data Center (Management and Budget); Health Professions Educational Foundation Board of Trustees (Health and Human Services); Healthcare Workforce Policy Commission (Health and Human Services); Highway Patrol (Public Safety and Homeland Security); Hospital Advisory Board (Health and Human Services); Housing Finance Agency (Infrastructure); State Independent Living Council (Health and Human Services); Industrial Development Financing Advisory Commission (Labor and Economic Development); Inspector General (Corrections Commission); Interagency Coordinating Council on Early Intervention (Health and Human Services); Council for Interstate Adult Offenders Supervision (Correctional Services); Commission on Juvenile Justice Crime and Delinquency Prevention (Correctional Services).

### **\*\*\*Enough to Make Your Teeth Hurt\*\*\***

After I published the last list of CPR reorganization, a Leonard Letter reader inquired about the distribution of functions of the current California Dental Board to the Health and Human Services Department and the new Public Safety and Homeland Security. I asked the Dental Board what it does that would become the purview of the Public Safety and Homeland Security agency. The Board explained that it has staff with peace officer status who investigate complaints, unlicensed practitioners and DentiCal or MediCal fraud. Turns out that CPR is recommending consolidating all peace officer staff under the new Public Safety agency. What shocked me about this is that the Board of Equalization just recently designated some of its staff as peace officers—and we are the agency that investigates tobacco counterfeiting, a big bucks, organized crime activity. Seems the state may have too many cops and consolidating their work in one department will help sort this out.

## **AROUND THE STATE**

### **\*\*\*Golden State Fleece Awards\*\*\***

My thanks to the California Taxpayers Association for identifying these examples of wasting your valuable dollars that should be used to teach children:

Parents of students at Santa Cruz County's Freedom Elementary School recently received a letter saying the school would be confiscating "any non-nutritious foods such as Cheetos or chips, sugary snacks, soda, etc." After parents complained about the school food police, the Superintendent's office countermanded the confiscation policy.

Nevada Union High School students and parents received a surprise when the first quarter report cards actually included last year's grades. An audit last year noted the district was behind in technology and the report card error was attributed to a "computer glitch."

Although the above cost just more than \$1,000, the Alameda County Office of Education has wasted \$1 million. Back in 1997, the county staff purchased software for attendance reporting before each of the member school districts committed to using it. Three districts did not participate and the software has sat unused since then.

## **TAX CORNER**

### **\*\*\*Improving the IRS\*\*\***

Several months ago I encouraged Leonard Letter readers to apply for the federal IRS's Taxpayer Advocacy Panel. I just heard from a reader who was appointed. He tells me the Panel is ready to receive your suggestions for improving the IRS. Please visit [www.improveirs.org](http://www.improveirs.org) to learn more about the project and to submit your suggestions.

### **\*\*\*Flat Tax Revisited\*\*\***

Anthony Archie of the Pacific Research Institute wrote a fine column in the November issue of California Political Review. He points out that if Bush really wants to follow through with a "simpler" tax code, he should really consider a flat tax. What this means is that everyone should pay the same tax rate, with very few deductions allowed.

Some argue that flat taxes are immoral because they say it is unjust to not make wealthy people pay a higher rate. I do not see what the proponents can point to that explains their version of justice. I saw one Democrat lawmaker on CNBC say that flat taxes are immoral because of Luke 12:48 – the gist of which is: "To whom much is given, much will be required." I would argue it is quite a leap to argue that Christ was talking about giving money to the government. But one could also say this quote from the Bible lends moral support to a flat tax as well, because under a flat tax those who make more would still pay more.

I suspect the principle of progressive taxation is more derivative of Marx's, "To those according to their needs, from those according to their ability." However, this is not a moral argument, but a secular political theory concerned only with who gets what and who gets to do what to whom.

Once we escape the moral box of the progressive tax system and consider the virtues of a flat tax, there is much to be admired. Archie points out two staggering facts: Americans currently spend \$183 billion a year complying with the tax code —8.7 percent of total tax

revenues. And where flat taxes have been implemented, the virtue of simplicity has also brought about more revenue. After Russia's Vladimir Putin instituted a 13-percent flat tax in 2001, tax evasion declined and tax revenues increased 28 percent the following year.

Read the whole article here:

<http://www.cppf.us/OnlineOriginals/Columns/2004/11Nov04/111704PR.html>

## MISCELLANY

### \*\*\*Citizenship Test 21\*\*\*

Today's question about the President should be easy since we have just spent so much time discussing the job during the election.

91. What is the name of the President's official home?
92. Name the right guaranteed by the first amendment.
93. Who is the Commander in Chief of the U.S. military?
94. Which President was the first Commander in Chief of the U.S. military?
95. In what month do we vote for the President?
96. In what month is the new President inaugurated?

## BOE AND LEGISLATIVE DATES

**November 30, 2004** --- Close of property tax assessment appeals filings in most California counties.

**December 6, 2004** --- Legislature Convenes/Swearing-In of Members.

**December 13, 2004** --- The electors in each State meet to select the President and Vice President of the United States.

**December 14-15, 2004** --- BoE meets in Sacramento.

**December 22, 2004** --- The President of the Senate, the Archivist of the United States, and other designated Federal and State officials must have the electoral votes in hand.

**December 25, 2004** --- Christmas Day

**January 6, 2005** --- The Congress meets in joint session to count the electoral votes (unless Congress passes a law to change the date).

**January 10, 2005** --- Governor's proposed budget due.

**January 20, 2005** --- Presidential Inauguration.

**January 25-26, 2005** --- BoE meets in Sacramento.

## **NOTABLE DATES/ HISTORY**

**November 29, 1890** ---The first annual Army-Navy football game was played at West Point, NY.

**November 30, 1782** --- The U.S. and Britain signed preliminary peace articles in Paris, ending the Revolutionary War.

**December 1, 1824** --- House of Representatives began to end the election deadlock between John Quincy Adams, Andrew Jackson, William Harris Crawford & Henry Clay (Adams was eventually declared president.)

**December 1, 1878** --- First White House telephone was installed.

**December 1, 1951** --- Golden Gate Bridge was closed due to high winds.

**December 2, 1981** --- San Francisco's Moscone Convention Center opened at 11:30 AM.

**December 3, 1964** --- Police arrested 800 sit-in students at University of California at Berkeley.

**December 4, 1783** --- General Washington bade farewell to his officers at Fraunce's Tavern, New York, NY.

**December 4, 1952** --- Killer fogs began in London, England, giving rise to the word "Smog."

**December 4, 1978** --- Dianne Feinstein was named San Francisco's first female mayor.

## **GENERAL TAX INFORMATION**

For answers to your general tax questions, call the Board of Equalization information center. Customer service representatives are available to help you from 8:00 a.m. to 5:00 p.m. Pacific time, Monday through Friday (except state holidays).

Toll-free number: 800-400-7115

TDD service for the hearing impaired  
TDD phones: 800-735-2929  
Voice phones: 800-735-2922

To reach the Taxpayer Rights Advocate's office for assistance with any BOE issues, see <http://www.boe.ca.gov/tra/tra.htm>, or call toll-free 1-888-324-2798.

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